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Senate Committee on Finance
Hearing on
“Clean Technology Manufacturing Competitiveness: The Role of Tax Incentives”
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Statement for the Record

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Introduction

The Biomass Thermal Energy Council (BTEC) appreciates the opportunity to submit a statement to the Senate Finance Subcommittee on Energy, Natural Resources, and Infrastructure regarding the continuation of the Advanced Energy Manufacturing Tax Credit. BTEC believes that energy incentive programs such as the Advanced Energy Manufacturing Tax Credit (AEMTC) outlined in §48C are indispensable in growing domestic sources of clean energy, whether they originate in the wind, solar, hydroelectric, nuclear, hydrogen, or biomass sectors.

Biomass thermal technologies can play a key role in domestic energy production and job growth if programs like the AEMTC recognize their impact. Dr. Henry Kelly of the Office of Energy Efficiency and Renewable Energy credited the program’s \$2.3 billion funding with creating an estimated 17,000 direct jobs as well as spurring \$5.4 billion in private investment.¹ Right now, biomass thermal technologies employ thousands of Americans and provide useful heat for over 1 million diverse users nation-wide; this industry decreases reliance on foreign oil, strengthens local economies, lowers fuel costs, and decreases greenhouse gas emissions. The potential exists to greatly strengthen this industry through extension of the AEMTC to biomass thermal technologies.

The overwhelming pool of AEMTC applicants demonstrates that demand for these finite incentives is real. Should the Congress and administration move forward on allocating additional funding for the AEMTC beyond its original \$2.3 billion, certain issues surrounding the administration of the program ought to be addressed and revised.

¹ U.S. Cong, Senate, Committee on Finance: Subcommittee on Energy, Natural Resources, and Infrastructure, Re-establishing U.S. leadership in Clean Energy, High Technology Manufacturing, By Henry Kelly, 111 Cong., 2nd sess. S. Doc, 20 May 2010, Office of Energy Efficiency and Renewable Energy, 24 May 2010 <<http://finance.senate.gov/imo/media/doc/052010HKtest.pdf>>, pp. 6

Namely, these concerns pertain to initial consultations of project eligibility and industry stakeholder involvement. Should both items be addressed to the level outlined below, future AEMTC funding would surely find its way to vastly underrepresented—but certainly no less worthy—energy technologies like that of biomass thermal.

Improved Project Eligibility Consultation

The AEMTC's requirements for qualifying advanced energy manufacturing projects are broad in scope; this breadth allows the incentive to reach promising technologies across the energy spectrum without favoring certain sectors over others. Additional informational materials on the Department of Energy's AEMTC webpage confirm this intentional range of eligible projects by describing its own qualifying list of technologies as, "non-exclusive [and] non-exhaustive."² Certain biomass thermal technologies like biomass densification/solid fuel refining and high efficiency combustion thermal applications fall within the spirit of the AEMTC, yet it is unclear whether they are indeed eligible.

The program's capacity for offering meaningful consultation and guidance is hampered by its requirement to respond only to active applicants. Prospective applicants are left with two difficult—and financially hazardous—choices. Either they can devote hours of staff time and resources to complete the comprehensive application only to later discover the ineligibility of their technology, or they can forego the funding opportunity altogether by deciding (possibly incorrectly) that their technology is ineligible. Both options are wasteful and undermine the AEMTC's prime principle, to encourage the growth of domestic alternative energy manufacturing.

BTEC recommends that a reauthorization of the AEMTC provide a means for prospective applicants to inquire and have a consultation with a program authority to determine if their technology and application are consistent with the intent of the program and worthy of consideration. Doing so would avoid arbitrarily limiting the program's eligible technologies and assist potential applicants in expending precious resources for the application's preparation and submission.

Increased Industry Communication and Involvement

The coordination of government and private industry often increases the effectiveness of incentive programs like the AEMTC. However, a lack of communication between the administering agency and eligible industries certainly resulted in the underrepresentation of eligible and competitive technologies.

Dr. Henry Kelly's hearing testimony highlighted this deficit when he commented that the administering agency failed to adequately inform industry stakeholders during the

² U.S. Department of Energy, [Tax Credit 48C – Credit for Investment in Advanced Energy Facilities](http://www.energy.gov/recovery/documents/Types_of_48C_Projects.pdf). Department of Energy, 24 May 2010, <http://www.energy.gov/recovery/documents/Types_of_48C_Projects.pdf>.

program's application period.³ This lack of communication likely explains the major absence of energy technologies outside that of wind, solar, and nuclear. Biomass-related projects numbered only 2 of the 183 projects awarded,⁴ despite biomass providing 53% of the nation's renewable energy supply.⁵ More pointedly, there was only one biomass thermal specific award in the initial round of funding. It is uncertain whether this near absence was due to a lack of qualified applicants, lack of program awareness, or both. Yet, when thermal energy needs occupy roughly one-third of the nation's energy demand, all renewable players—especially biomass thermal—must be at the table to address the path forward.

It is astonishing how little attention thermal energy has been given in the U.S, this particular program notwithstanding. To date, nearly all of the government policies and incentives for renewable energy support the electricity and transportation sectors. Renewable sources of thermal energy, such as biomass, have largely been forgotten. Engaging biomass stakeholders during the rollout of programs like the AEMTC would begin to reverse this policy disparity.

Significant job creation is possible through the increased deployment of biomass thermal technologies, pending programs that support the industry's development and continued growth. In the American Northeast alone, significant displacement of traditional heating fuels with sustainably produced biomass fuel is estimated to create over 142,000 jobs and infuse billions of dollars into local communities by the year 2025.⁶ Investments in domestic manufacturing of feedstock refining technologies and combustion appliances (among others) would spur new and re-tooled facilities nationwide, further displacing foreign fossil fuels and imported heating equipment.

A reauthorization of the AEMTC ought to acknowledge the positive employment and economic benefits from biomass thermal through open and clear communication with its stakeholders. This could resemble active relationships with biomass trade associations and related media, with all working to educate eligible businesses on the program's funding requirements. Innovation will surely flourish when these parties are involved.

³ *Clean Technology Manufacturing Competitiveness: The Role of Tax Incentives*, 111th Cong, (2010) (testimony of Dr. Kelly Mazur). Mr. Mazur's comments were in response to a question on the disproportionate awards to wind and solar in over that of nuclear.

⁴ The White House, Office of the Press Secretary, "Fact Sheet: \$2.3 Billion in New Clean Energy Manufacturing Tax Credits," Press release, Briefing Room: Statements & Releases, 8 Jan. 2010, 25 May 2010, <<http://www.whitehouse.gov/sites/default/files/100108-48c-Selection-Final-With%20Projects.xls>>. These figures reference known awards; the fact sheet discloses 137 of the 183 award amounts, corresponding businesses, and technologies. While it is possible that the remaining 46 awards are biomass related, it is highly unlikely.

⁵ U.S. Department of Energy, Energy Information Administration, Renewable Energy Consumption and Electricity Preliminary Statistics 2008, July 2009, 25 May 2010, <http://www.eia.doe.gov/cneaf/alternate/page/renew_energy_consump/rea_prereport.html>.

⁶ Biomass Thermal Energy Council, et al, Heating the Northeast with Renewable Biomass: A Vision for 2025, Rep, 28 Apr. 2010, 5 May 2010, <http://biomassthermal.com/resource/pdfs/heatne_vision_full.pdf>, pp. 15. The figure details the potential for job creation in the seven-state collection of CT, MA, ME, NH, NY, RI, and VT.

Concluding Remarks

Domestic manufacturing of biomass heating appliances, fuels, and components must become a priority as the nation pursues a platform of diverse clean energy options. In Europe, these technologies are viewed as advanced energy technologies.

U.S. progress on clean energy was underscored in a Department of Energy memo published shortly after the AEMTC hearing that exempted certain advanced biomass thermal technologies from 'Buy American' ARRA requirements *due to non-existent domestic manufacturing capacity*.⁷ This is discouraging. The U.S. cannot seriously move forward on clean energy implementation and energy independence without addressing domestic renewable energy manufacturing, biomass thermal included.

BTEC recommends that a revised AEMTC involve increased communication with trade associations across the energy industry spectrum and develop better processes for determining initial project eligibility. BTEC understands that projects with the greatest commercial viability and technical merit should win funding, no matter their industry. Tax and incentive programs that level the playing field by recognizing the most efficient technologies will guide the U.S. towards energy independence more quickly, cleanly, and affordably.

⁷ U.S. Department of Energy, Office of Energy Efficiency and Renewable Energy, Memorandum of Decision, By Cathy Zoi, 24 May 2010, 1 June 2010
<http://www1.eere.energy.gov/recovery/pdfs/eere_buy_american_nonavailability_waiver.pdf>. The memo lists products that are exempt from the Buy American provision of the American Recovery and Reinvestment Act of 2009 due to one of three factors: domestic availability, costs considerations, and public interest concerns.